

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, THE
EMPLOYEES RETIREMENT SYSTEM OF THE
GOVERNMENT OF THE COMMONWEALTH OF
PUERTO RICO, AND THE PUERTO RICO PUBLIC
BUILDINGS AUTHORITY,

Debtors.¹

PROMESA
Title III

No. 17 BK 3283-LTS

(Jointly Administered)

**STATUS REPORT OF FINANCIAL OVERSIGHT AND MANAGEMENT
BOARD FOR PUERTO RICO REGARDING COVID-19
PANDEMIC AND PROPOSED DISCLOSURE STATEMENT SCHEDULE**

To the Honorable United States District Court Judge Laura Taylor Swain:

The Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), as Title III representative of the Commonwealth of Puerto Rico (the “Commonwealth”), the Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”), and the Puerto Rico Public Buildings Authority (“PBA”, and collectively with the Commonwealth and ERS, the “Debtors”), pursuant to section 315(b) of the *Puerto Rico Oversight, Management,*

¹ The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17-BK-3283- LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17-BK-3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17-BK-3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17-BK-3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority (“PREPA”) (Bankruptcy Case No. 17- BK-4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority (“PBA”) (Bankruptcy Case No. 19-BK-5523-LTS) (Last Four Digits of Federal Tax ID: 3801) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

and Economic Stability Act (“PROMESA”)², respectfully submits this status report (the “Status Report”) regarding the response to the COVID-19 pandemic and the scheduling of consideration of a proposed disclosure statement.

Background

1. On October 25, 2020, the Oversight Board filed that certain *Status Report of Financial Oversight and Management Board for Puerto Rico Regarding COVID-19 Pandemic and Proposed Disclosure Statement Schedule* [ECF No. 14923] (the “FOMB October Status Report”), which noted that the Oversight Board had resumed discussions with AAFAF and creditors party to the Plan Support Agreement, as amended on March 13, 2020 and April 1, 2020 (the “PSA”), with the guidance of the mediation team led by the Honorable Judge Barbara J. Houser.

2. The Oversight Board requested in the FOMB October Status Report that it be permitted to provide the Court an updated status report on the Oversight Board’s position on or before December 4, 2020 to allow additional time to discern the possible direction of discussions with various parties in interest. FOMB October Status Report ¶ 17.

3. On October 29, 2020, the Court entered the *Order on Joint Motion of PSA Creditors Pursuant to Section 312 of PROMESA and Section 105 of the Bankruptcy Code to Impose Deadlines for Plan of Adjustment* [ECF No. 14987] (the “Plan Scheduling Order”), ordering the Oversight Board to file by February 10, 2021 “an informative motion presenting a term sheet disclosing the material economic and structural features of an amended plan of adjustment that the Oversight Board intends to propose for confirmation, and a motion for approval of a proposed timetable for the filing of an amended plan and proposed disclosure statement (if one has not yet

² PROMESA is codified at 48 U.S.C. §§ 2101-2241.

been filed), discovery and litigation in connection with such proposal, solicitation, voting, and confirmation proceedings.” Plan Scheduling Order at 4.

Conditions on the Island

4. Since the submission of the FOMB October Status Report, the Oversight Board and the Government have continued to collaborate and to take all necessary steps to protect the health and welfare of the people of Puerto Rico from the COVID-19 virus. In particular, on November 13, 2020, Governor Vázquez announced restrictions beginning November 16, 2020 limiting capacity at businesses, requiring face masks, and re-instituting a curfew, all in an effort to curb the spread of the coronavirus.³ On December 3, 2020, Governor Vázquez announced further restrictions taking effect from December 7, 2020 to January 7, 2021, setting an earlier curfew beginning 9:00 p.m. Monday through Saturday, but requiring businesses to close at 8:30 p.m., and instituting total closures of most businesses on Sundays.⁴ As of December 4, 2020, there are 52,784 confirmed and likely cases of COVID-19 and 1,173 deaths caused by the disease on the Island.⁵

Timeline for Debtors’ Plan of Adjustment and Disclosure Statement

5. Following the November election, Pedro Pierluisi was announced as the winner of the gubernatorial race in the Commonwealth.⁶ At the November 16, 2020 government transition hearing, Governor-elect Pierluisi pledged to move quickly on Puerto Rico’s debt restructuring and

³ AP News, Puerto Rico to activate National Guard to fight COVID-19, available at <https://apnews.com/article/financial-markets-health-puerto-rico-coronavirus-pandemic-7175cd64689839c3c5e57fa2eee2bb17>.

⁴ AP News, Puerto Rico to lock down Sundays, close marinas for holidays, available at <https://apnews.com/article/puerto-rico-coronavirus-pandemic-3a870e3884c7e50922e2459acb5a37be>.

⁵ Departamento de Salud, COVID-19 Cases in Puerto Rico, available at <http://www.salud.gov.pr/Pages/coronavirus.aspx>.

⁶ AP News, Pedro Pierluisi Wins Gubernatorial Race in Puerto Rico, available at <https://apnews.com/article/puerto-rico-general-elections-elections-latin-america-pedro-pierluisi-12defbcc08b4e5dbd53940c18ba87ff7>

stated that he will serve on the Oversight Board in an ex officio capacity, rather than having an AAFAF representative in such position.⁷ The Oversight Board looks forward to working with Governor-elect Pierluisi. At the same time, and during this transitional period, the Oversight Board continues its efforts and work with Governor Vázquez to address the Island's restructuring and the needs of the Commonwealth to reach and gain access to the capital markets.

6. In accordance with the Plan Scheduling Order, and with the guidance of the mediation team led by the Honorable Judge Barbara J. Houser, over the next two months, the Oversight Board shall participate in (a) group or individual informational and negotiation mediation sessions (as and when scheduled by the Mediation Team) or (b) informal sessions with the Commonwealth, the parties to the PSA, the "Monolines", the Unsecured Creditors' Committee, the Retiree Committee, and various unions, all designed to establish a framework and timeline for the development for a consensual debt restructuring. Regardless of the outcome of such discussions, the Oversight Board shall file with the Court either a term sheet detailing the terms of a proposed restructuring or, preferably, an amended plan of adjustment and corresponding disclosure statement on or prior to February 10, 2021.

7. Due to the confidentiality provisions attendant to the mediation process, unless proposals or mediation updates are publicly disseminated, the Oversight Board will be unable to update the Court as to the progress or substance of the discussions except insofar as information the mediation process allows or requires to be disclosed and information that may be inferred from the terms the Oversight Board will file on or before February 10, 2020. Accordingly, the Oversight

⁷ Reorg Research, Gov.-Elect Pierluisi Discusses Need to Move Quickly on Debt Restructuring; Says Covid-19 Economic, Fiscal Impacts Require Renegotiation of Commonwealth, PREPA Proposals; Plans to Serve Directly on Oversight Board, available at https://app.reorg.com/v3#/items/intel/1869?item_id=124211.

Board submits that the next status report be provided in connection with the filing to be made in accordance with the provisions of the Plan Scheduling Order.

Dated: December 4, 2020
San Juan, Puerto Rico

Respectfully submitted,

/s/ Martin J. Bienenstock

Martin J. Bienenstock (*pro hac vice*)
Brian S. Rosen (*pro hac vice*)
PROSKAUER ROSE LLP
Eleven Times Square
New York, NY 10036
Tel: (212) 969-3000
Fax: (212) 969-2900

Attorneys for the Financial Oversight and Management Board as representative for the Debtors

/s/ Hermann D. Bauer

Hermann D. Bauer
USDC No. 215205
O'NEILL & BORGES LLC
250 Muñoz Rivera Ave., Suite 800
San Juan, PR 00918-1813
Tel: (787) 764-8181
Fax: (787) 753-8944

Co-Attorneys for the Financial Oversight and Management Board as representative for the Debtors